

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6140**

**BILL NUMBER:** HB 1050

**NOTE PREPARED:** Dec 5, 2007

**BILL AMENDED:**

**SUBJECT:** Income Tax Credit for Textbook Fees.

**FIRST AUTHOR:** Rep. VanDenburgh

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ GENERAL  
☒ DEDICATED  
☐ FEDERAL

**IMPACT:** State

**Summary of Legislation:** The bill provides a refundable income tax credit for textbook expenses paid by a taxpayer: (1) for dependents who are enrolled in a public school or an accredited nonpublic school; and (2) with a household income under 350% of the federal poverty level.

**Effective Date:** January 1, 2008 (retroactive).

**Explanation of State Expenditures:** *Department of State Revenue (DOR):* The DOR will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new Income Tax Credit for Textbook Fees. The Department's current level of resources should be sufficient to implement this change.

**Explanation of State Revenues:** This bill creates a refundable income tax credit based on textbook expenses incurred by a taxpayer for a dependent attending a public school or an accredited nonpublic school. The bill would reduce state Adjusted Gross Income (AGI) Tax liabilities of individual taxpayers who have a dependent enrolled in kindergarten through Grade 12 and have a household income that is not more than 350% of the federal poverty level. The revenue loss due to this bill could total approximately \$20.0 M annually beginning in FY 2009. For further details, see the table below. The tax credit is effective beginning in the 2008 tax year, thus the potential impact on revenue could begin in FY 2009. Eighty-six percent of the revenue from the AGI Tax on individuals is deposited in the state General Fund, and 14% of the revenue is deposited in the Property Tax Replacement Fund.

<b>Fiscal Year</b>	<b># of Children Eligible for the Tax Credit</b> (excluding those who qualify for textbook reimbursements)	<b>Average Cost per Student</b>	<b>Potential Fiscal Impact</b>
<b>2009</b>	366,361	\$100	\$22.6 M
<b>2010</b>	341,266	\$108	\$21.7 M
<b>2011</b>	315,814	\$115	\$20.2 M
<b>2012</b>	289,936	\$120	\$18.0 M

**Background:** The bill would reduce state AGI Tax liabilities of individual taxpayers by 100% of textbook expenses who have a dependent enrolled in kindergarten through Grade 12 and have a household income that is not more than 250% of the federal poverty level. It also would reduce tax liabilities of individual taxpayers by 50% of textbook expenses who have a household income that is between 250% and 350% of the federal poverty level. The 2007 Federal Poverty Level Guidelines are included in the table below.

<b>2007 Federal Poverty Level Guidelines (Family Income per Year)</b>		
<b>Family Size</b>	<b>250% FPL</b>	<b>350% FPL</b>
<b>2</b>	\$34,225	\$47,915
<b>3</b>	\$42,925	\$60,095
<b>4</b>	\$51,625	\$72,275
<b>Each Additional Person</b>	\$8,700	\$12,180

Two sub-populations were subtracted from the total number of children ages 5 through 17 living within the above-mentioned poverty levels to obtain the number of children eligible for the tax credit: (1) the number of children already receiving free textbooks; and (2) the number of children being home schooled as they would not be eligible for the tax credit. The fiscal impact is based on current data from the Indiana Department of Education and U.S. Census Bureau's growth rates for the population ages 5 through 17.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** Indiana Department of Education; U.S. Census Bureau's *Current Population Survey, Annual Social and Economic Supplement, 2005-2007*; *Federal Register*, Vol. 72, No. 15, pp. 3147; U.S. Department of Education, National Center for Education Statistics, Parent Survey of the 1999 National Household Education Surveys Program (NHES); Parent and Family Involvement in Education Survey of the

2003 NHES.

**Fiscal Analyst:** Hannah Mongiat, 232-9867.